

C. DUKES SCOTT
EXECUTIVE DIRECTOR

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DAN E. ARNETT
CHIEF OF STAFF

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May 15, 2006

VIA HAND DELIVERY

Mr. Charles L.A. Terreni
Chief Clerk/Administrator
South Carolina Public Service Commission
101 Executive Center Dr., Suite 100
Columbia, SC 29210

Re: Applications for Adjustment of Rates and Charges for the Provision of
Water and Sewer Service
Docket Nos. 2004-357-WS; 2006-92-WS; 2006-97-WS; 2006-107-WS

Dear Mr. Terreni:

Enclosed for filing please find the original and fifteen (15) copies of the **Joint Consent Order for Funding of Expert to Conduct Management Review Audit** in the referenced dockets. Please date stamp the extra copy enclosed and return it to me via our courier.

As stated in the Joint Consent Order the negotiated, quoted fee for the Management Review Audit expires on May 17, 2006.

Also, we have served same on all parties of record and enclose a Certificate of Service to that effect.

Please let me know if you have any questions.

Sincerely,

C. Lessie Hammonds

CLH/pjm
Enclosure

cc: John M.S. Hoefer, Esquire

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BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA

Docket Nos. 2004-357-WS; 2006-92-WS; 2006-97-WS; 2006-107-WS

IN RE: Application of Carolina Water)
Service, Incorporated for Adjustment of)
Rates and Charges and Modification of)
Certain Terms and Conditions for the)
Provision of Water and Sewer Service;)
)
Application of Carolina Water)
Service, Incorporated for Adjustment of)
Rates and Charges for the Provision of)
Water and Sewer Service;)
)
Application of Tega Cay Water)
Service, Incorporated for Adjustment of)
Rates and Charges and Modifications to)
Certain Terms and Conditions for the)
Provision of Water and Sewer Service;)
)
Application of United Utility)
Companies, Incorporated for Adjustment)
of Rates and Charges and Modification to)
Certain Terms and Conditions for the)
Provision of Water and Sewer Service.)
)

**CERTIFICATE OF
SERVICE**

This is to certify that I, Pamela J. McMullan, an employee with the Office of Regulatory Staff, have this date served one (1) copy of the **JOINT CONSENT ORDER FOR FUNDING OF EXPERT TO CONDUCT MANAGEMENT REVIEW AUDIT** in the above-referenced matter to the person(s) named below by causing said copy to be deposited in the United States Postal Service, first class postage prepaid and affixed thereto, and addressed as shown below:

John M.S. Hoefer, Esquire
Willoughby & Hoefer, P.A.
PO Box 8416
Columbia, SC 29202-8416



Pamela J. McMullan

May 15, 2006
Columbia, South Carolina

**BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2004-357-WS; 2006-92-WS; 2006-97-WS; 2006-107-WS**

May__, 2006

IN RE: Application of Carolina Water)
Service, Incorporated for Adjustment of)
Rates and Charges and Modification of)
Certain Terms and Conditions for the)
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Application of Carolina Water)
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Rates and Charges for the Provision of)
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Certain Terms and Conditions for the)
Provision of Water and Sewer Service;)

Application of United Utility)
Companies, Incorporated for Adjustment)
of Rates and Charges and Modification to)
Certain Terms and Conditions for the)
Provision of Water and Sewer Service.)

JOINT CONSENT ORDER FOR
FUNDING OF EXPERT TO CONDUCT
MANAGEMENT REVIEW AUDIT

This matter comes before the Public Service Commission of South Carolina (“Commission”) on the agreement of the South Carolina Office of Regulatory Staff (“ORS”) and Carolina Water Service, Inc. (“CWS”), Tega Cay Water Service, Inc. (“Tega Cay”) and United Utility Companies, Inc. (“United”), (collectively, “the Companies”) and Water Services Corporation (“WSC”) under the provisions of S.C. Code Ann. §§ 58-5-10 et seq. (Supp.2005), 58-5-210 et seq. (Supp.2005) and 58-4-100 (Supp.2005), which agreement is set forth immediately below.

At the request of ORS and with the consent of the Companies and WSC, the parties to this consent order and in connection with the above-captioned application have agreed as follows:

1. Under the provisions of S.C. Code Ann. § 58-4-100, “[t]o the extent necessary to carry out regulatory staff responsibilities, the executive director [of ORS] is authorized to employ expert witnesses and other professional expertise as the executive director may consider necessary to assist the regulatory staff in its participation in commission proceedings.”

2. In connection with the above-captioned proceeding, the Executive Director of ORS has determined that, in order to carry out ORS’ responsibilities, it is necessary to contract with an expert consultant to provide an audit and report of the management operations of Utilities, Inc.’s five South Carolina subsidiaries, including CWS, Tega Cay, and United. The fees of the expert will be an amount not to exceed that which was specified in the Petition of the Office of Regulatory Staff for an Order Requiring Funding for a Management Review Audit filed with this Commission on April 28, 2006. ORS understands this amount does not exceed the compensation generally paid by the regulated industry for such specialists, and WSC and the Companies do not object.

3. Section 58-4-100 also provides that the compensation and expenses for such professional expertise “be paid by the public utility or utilities participating in the proceedings upon order of the Commission or from the regulatory staff’s budget.”

4. WSC agrees to provide funding on behalf of the Companies for the cost of an expert consultant as described in paragraph 2 above. WSC will be reimbursed by each Company for its’ pro rata share according to customer base. ORS agrees pursuant to S.C. Code Ann. §58-4-100 that if WSC pays the compensation and expenses of an expert, “the compensation and

expenses must be treated by the Commission, for ratemaking purposes, in a manner generally consistent with its treatment of similar expenditures incurred by utilities in the presentation of their cases before the Commission.” CWS, Tega Cay, and United will be allowed to recover the cost of the Audit in each of its pending rate cases (2006-92-WS; 2006-97-WS; 2006-107-WS) in an amount proportionate to each company’s customer base and in the same manner as rate case expenses for each of the three pending cases are recovered.

5. Stated in ORS’ April 28, 2006, Petition for an Order Requiring Funding for a Management Review Audit, the negotiated, quoted fee of the selected consultant will expire on **May 17, 2006.**

6. ORS agrees and acknowledges that WSC’s and the Companies’ consent to this order does not mean or imply that WSC or the Companies have agreed to any information or report produced or to be produced by the expert consultant. ORS is solely responsible for the selection and employment of the expert consultant. WSC and the Companies specifically reserve their rights to interpose any objection to any witness and his/her testimony or exhibits as permitted or recognized by South Carolina law (common and statutory), rules of evidence, rules of civil procedure, rules, customs and practices of the Commission, and federal and state constitutions.

7. The undersigned Counsel for ORS expresses and acknowledges authority to enter into this agreement. The undersigned Counsel for WSC and the Companies expresses and acknowledges authority to enter into this agreement.

Now, therefore, based upon the agreement of ORS, WSC and the Companies and under the provisions of S.C. Code Ann. §§ 58-5-10 et seq. (Supp.2005), 58-5-210 et seq. (Supp.2005) and 58-4-100 (Supp.2005),

IT IS HEREBY ORDERED that WSC shall provide funding for the cost of an expert consultant employed by ORS for the audit of Utilities, Inc.'s five South Carolina subsidiaries in connection with the above-captioned proceedings in an amount not to exceed that which was specified in the Petition of the Office of Regulatory Staff for an Order Requiring Funding for a Management Review Audit filed with this Commission on April 28, 2006.

BY ORDER OF THE COMMISSION.

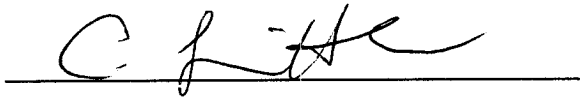
Randy Mitchell, Chairman

ATTEST:

G. O'Neal Hamilton, Vice Chairman
(SEAL)

WE CONSENT:

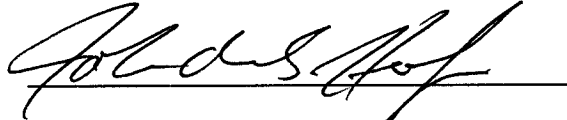
Representing the Office of Regulatory Staff

A handwritten signature in black ink, appearing to read 'C. Lessie Hammonds', written over a horizontal line.

C. Lessie Hammonds, Esquire
Office of Regulatory Staff
1441 Main Street (Suite 300)
Columbia, SC 29201
Phone: (803) 737-0803
Fax: (803) 737-0895
E-mail: lhammon@regstaff.sc.gov

WE CONSENT:

**Representing Water Services Corporation,
Carolina Water Service, Inc., Tega Cay
Water Service, Inc., and United Utility
Companies Incorporated**

A handwritten signature in black ink, appearing to read 'John M.S. Hoefer', written over a horizontal line.

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